

# Fraud and Noncompliance Unit



# 2003 ANNUAL REPORT

# Introduction

The Fraud and Noncompliance Unit was created by the passage of Senate Bill 251 in the 1993 legislative session. The Unit is responsible for investigating all allegations of fraud or noncompliance involving workers' compensation committed in the state of Missouri. Noncompliance refers to employers who are not in compliance with workers' compensation laws. Fraud in the workers' compensation system may occur at any level involving employees, employers, insurance carriers, attorneys, physicians and others who attempt to obtain or deny workers' compensation benefits in a fraudulent manner.

The Unit has four main goals: 1) to enforce the criminal statutes pertaining to workers' compensation fraud and noncompliance, 2) to educate the public on the need to insure workers in the state, 3) to provide a level economic playing field for all employers, and 4) to ensure injured workers receive the benefits they are entitled to by law.

During 2003, the Fraud and Noncompliance Unit performed investigations of those individuals who were alleged to have violated Missouri's workers' compensation laws (Chapter 287, RSMo). As a result, 270 cases were referred to the Office of the Attorney General for possible prosecution. The Unit has provided Missourians with an aggressive program to fight fraud and noncompliance in the workers' compensation system. The Unit conducted 13 presentations throughout the state to educate individuals on how to spot possible workers' compensation fraud and noncompliance and when an employer is required to carry workers' compensation insurance.

This year the unit investigated a number of Professional Employee Offices (PEO's) for both premium fraud and failure to provide workers' compensation insurance. This was a daunting task due to the short statute of limitations (one year from the date of offense), out-of-state corporations being involved and the voluminous paperwork created by the various PEO's. This multi-faceted scheme involved PEO's allegedly purchasing workers' compensation insurance through an Atlanta, Georgia corporation. That corporation was attempting to purchase an insurance company and intended on back-dating the insurance coverage. The sale did not come to fruition. The Atlanta corporation and representatives of some of the PEO's issued certificates of insurance to their clients as proof of coverage and charged the employers for workers' compensation premiums. In addition, at least one PEO created a number of Missouri corporations and would allegedly shift their client's employees between the corporations. This was accomplished, in part, to reduce workers' compensation premiums on coverage obtained through legitimate policies that covered portions of their corporation.

Fraud referrals for prosecution decreased in 2003 by approximately 49% as compared to 2002 figures. For a fraud allegation to be referred for prosecution, a "lie" as it relates to obtaining or denying a workers' compensation benefit must be made. For example, working while drawing Temporary Total Disability or failure to comply with a doctor's work restrictions is not a violation of Missouri's workers' compensation statute. For the most

# Introduction



part, insurance companies do not appear willing to ask questions of a nature that could be used as evidence to substantiate a fraudulent claim.

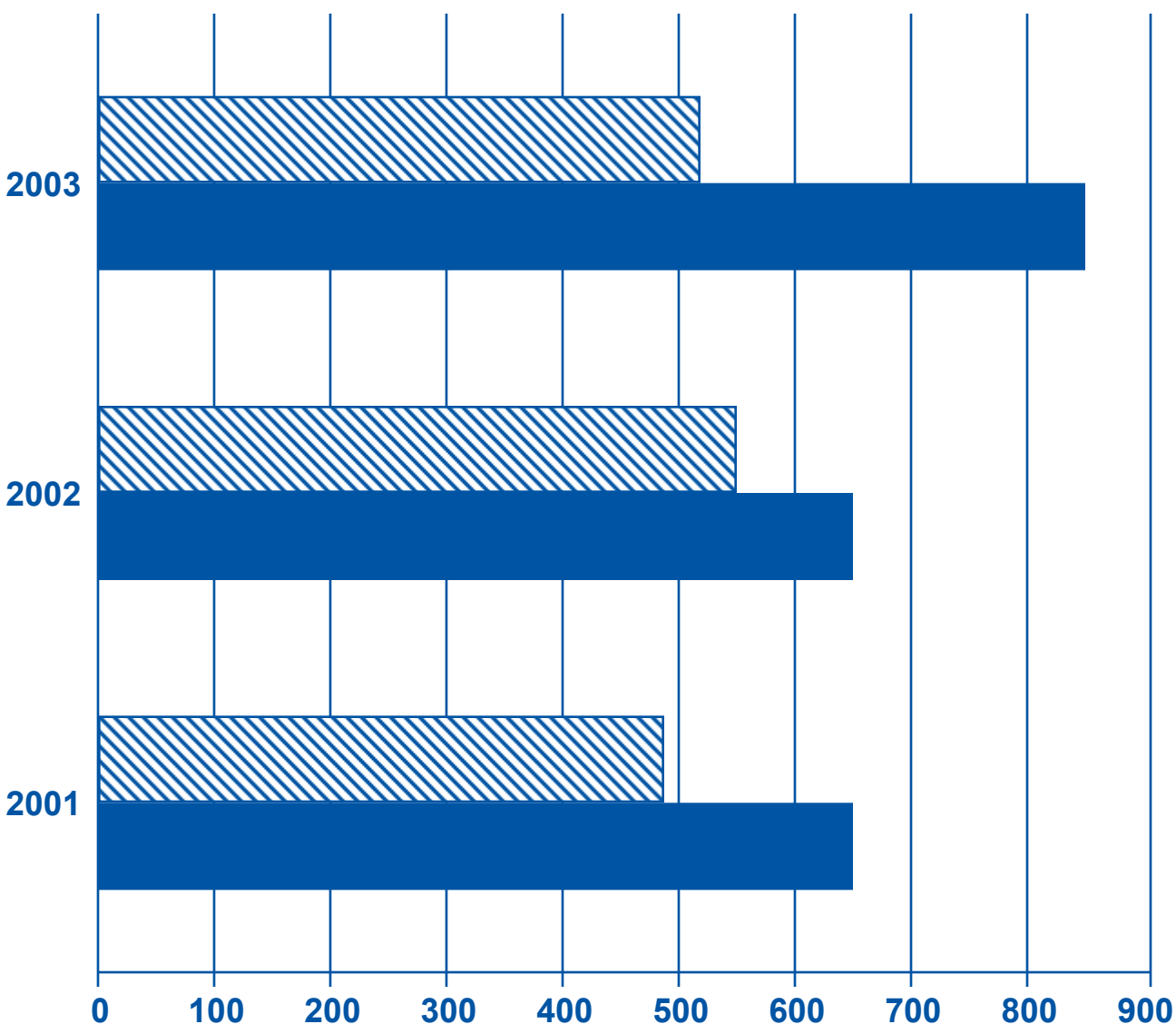
To ensure workers' compensation insurance is available in the unfortunate event of a work place injury and to ensure all employers have a level economic playing field, the Unit used a data-mining program to identify noncompliant employers. There were 194 investigations initiated using this program in 2003. Of these, 135 were closed, 43 were referred for prosecution and 16 are pending.

The Unit has pro-actively reached out to other state and federal agencies to share information and combat criminal activity. Investigative leads were sent to the Division of Employment Security for failure to report wages, the Internal Revenue Service and the Missouri Department of Revenue for failure to report income, the Social Security Administration for fraudulent receipt of disability payments, and the Illinois and Kansas Divisions of Workers' Compensation for allegations of fraud and noncompliance.

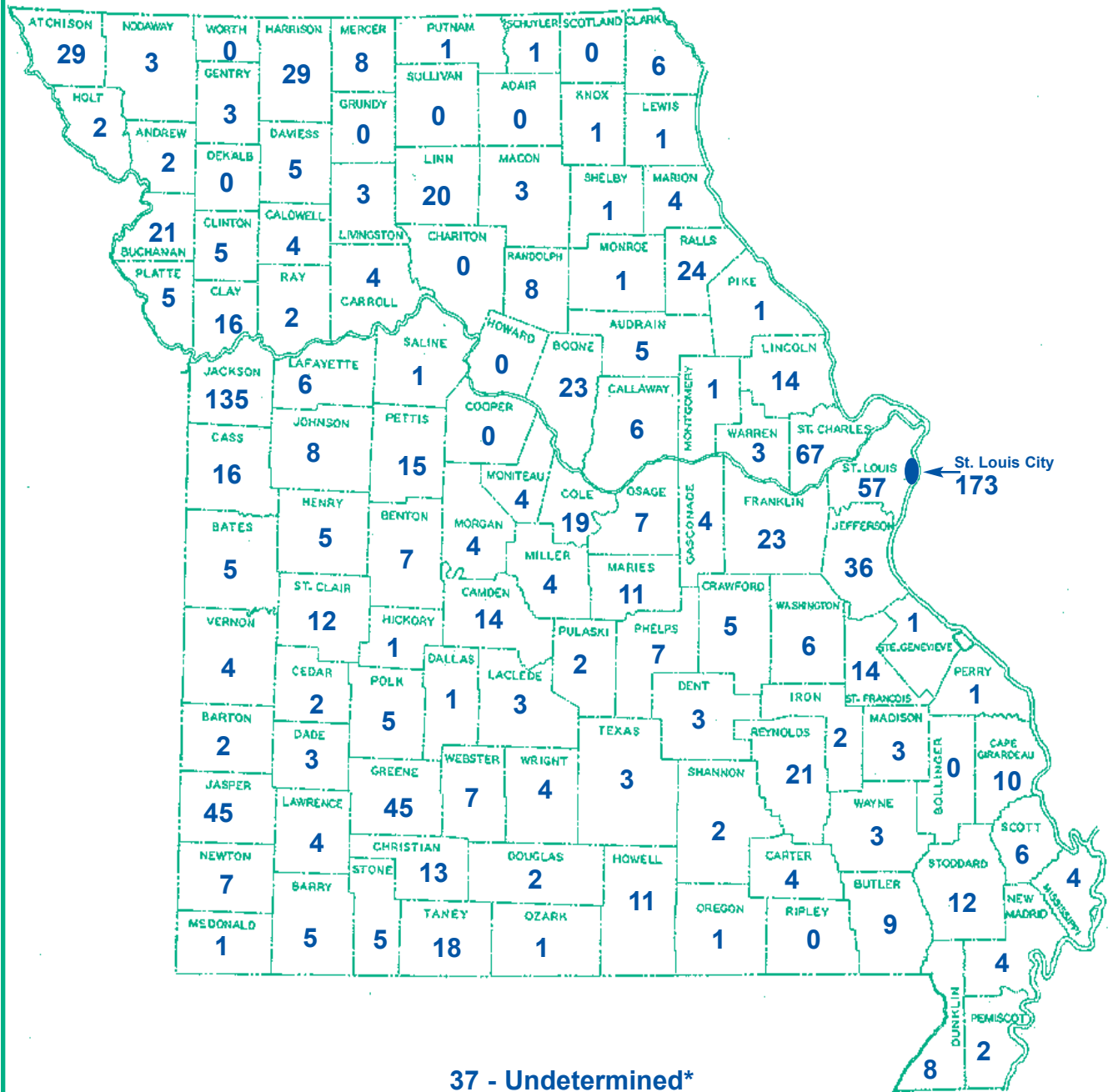
As the following reports and statistics show, the Unit performs a vital service in helping reduce workers' compensation crime. However, that is not enough. The direct involvement of all employees, employers, insurance companies and medical providers is required to send the message that fraud and noncompliance will not be tolerated in Missouri.

## Number of Cases Received by the Fraud and Noncompliance Unit

	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Fraud .....	518	552	498
 Noncompliance .....	845	652	658
<b>Totals</b> .....	<b>1,363</b>	<b>1,204</b>	<b>1,156</b>



## Number of Cases Received in 2003 by County





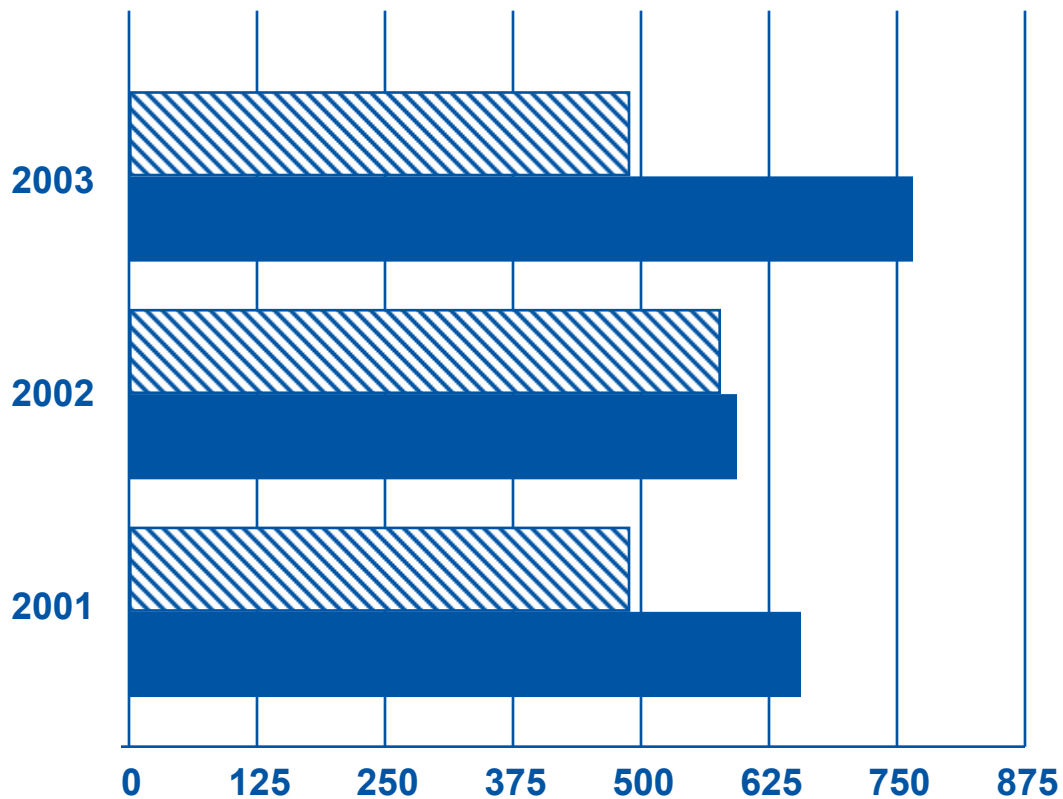
**37 - Undetermined\***  
**107 - Out of State\*\***

\*County of jurisdiction undetermined at time of allegation  
\*\*Alleged action occurred outside the state of Missouri

## Total Cases Closed

*(Each year may contain cases that were received in a previous year.)*







	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Fraud .....	488	582	482
 Noncompliance .....	765	591	659
<b>Totals.....</b>	<b>1,253</b>	<b>1,173</b>	<b>1,141</b>

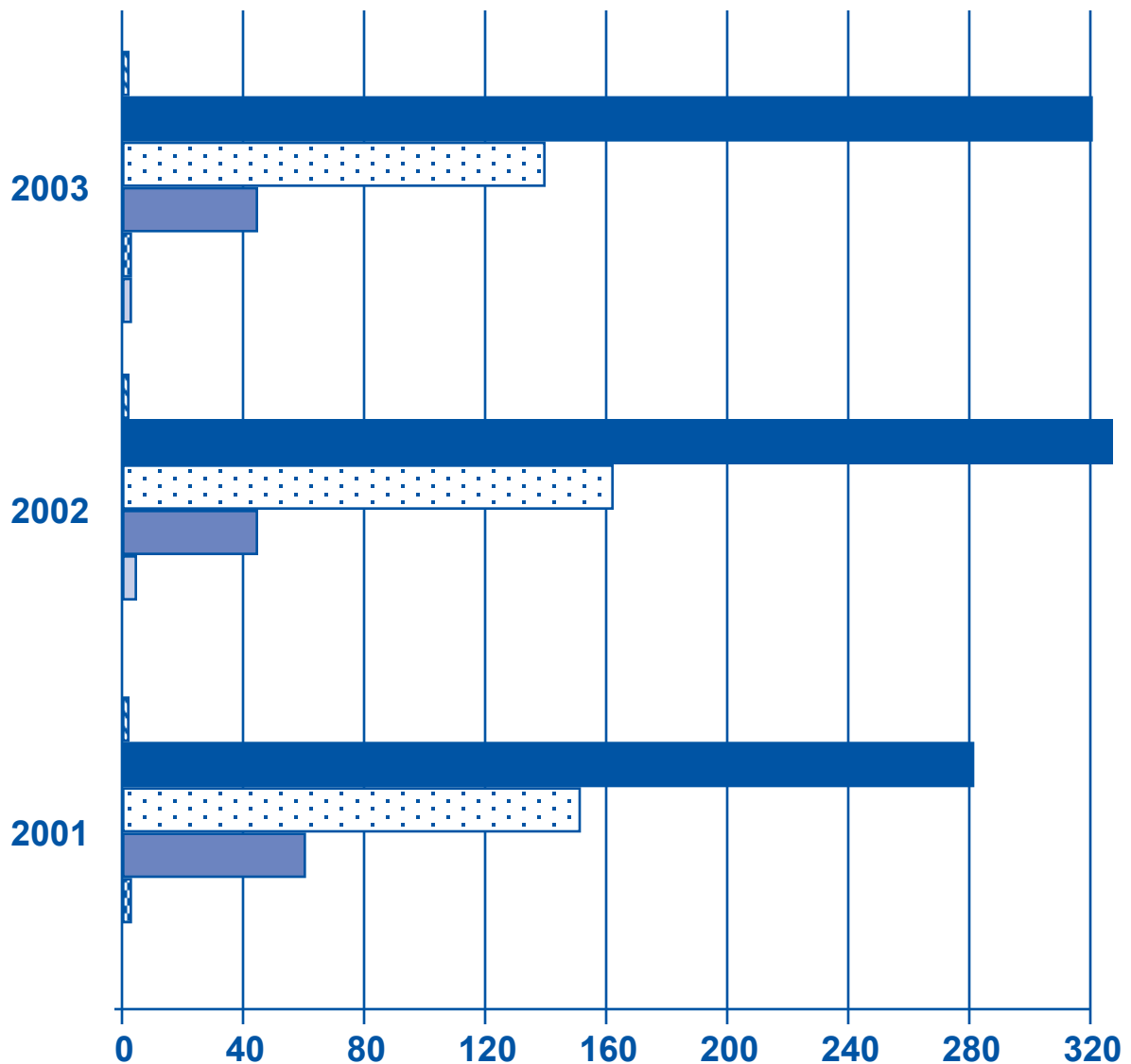


## Average Days to Complete an Investigation







	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fraud .....	96.26	106.05	128.66
Noncompliance .....	109.02	112.60	121.86
<b>Totals.....</b>	<b>104</b>	<b>109</b>	<b>125</b>

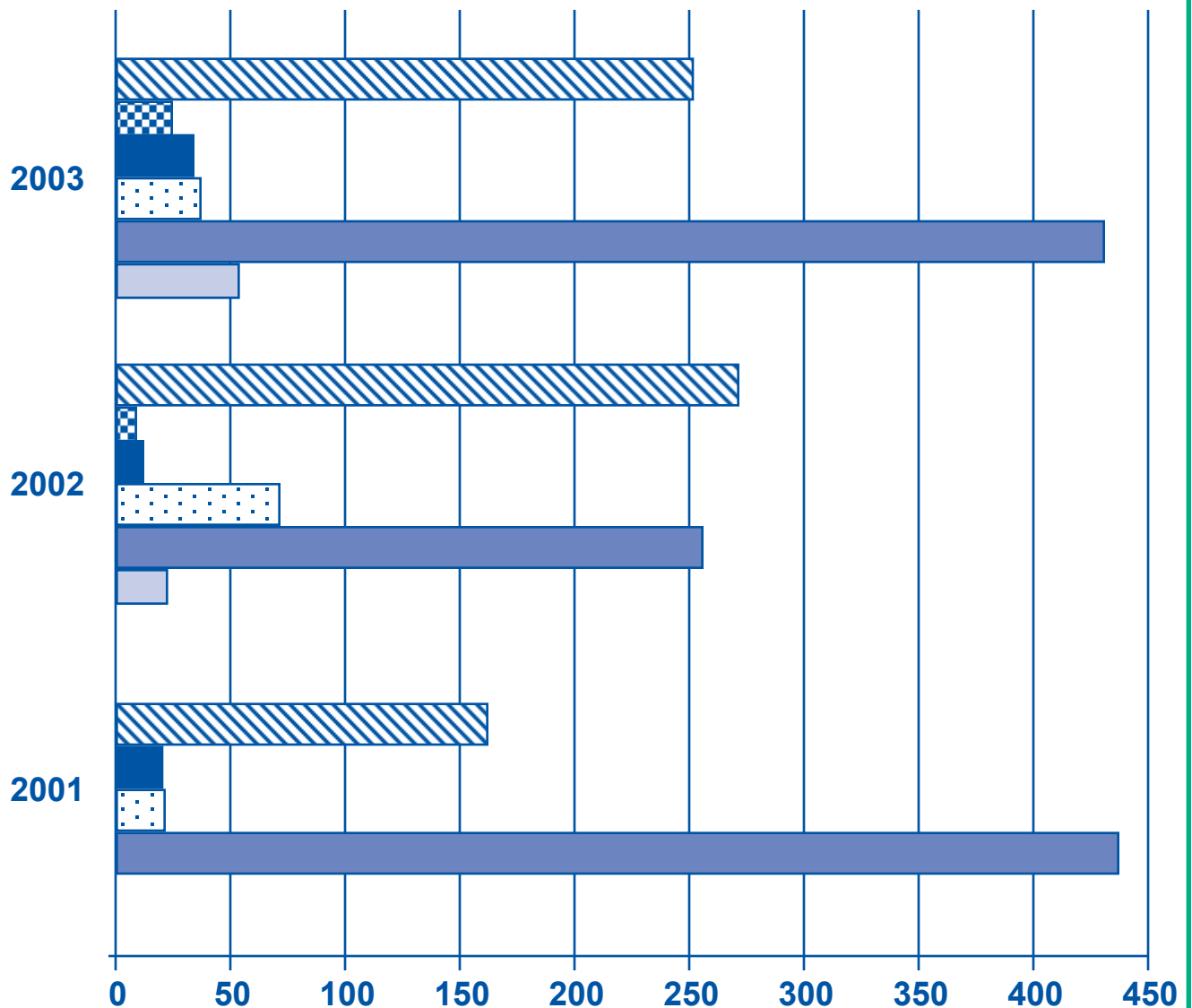
## Type of Individual Who Allegedly Committed a Fraudulent Act(s)

	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Attorney .....	3	4	2
 Employee .....	321	334	281
 Employer .....	141	162	152
 Insurer .....	45	45	61
 Other .....	4	0	2
 Physician .....	4	7	0
<b>Totals .....</b>	<b>518</b>	<b>552</b>	<b>498</b>



## Type of Business Which Allegedly did not Carry the Requisite Workers' Compensation Insurance as Required by Law



	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Construction .....	252	272	162
 *Health Care.....	25	10	0
 Manufacturing .....	39	13	28
 Other .....	43	71	29
 Retail .....	430	255	439
 *Trucking/Transportation .....	56	31	0
<b>Totals .....</b>	<b>845</b>	<b>652</b>	<b>658</b>

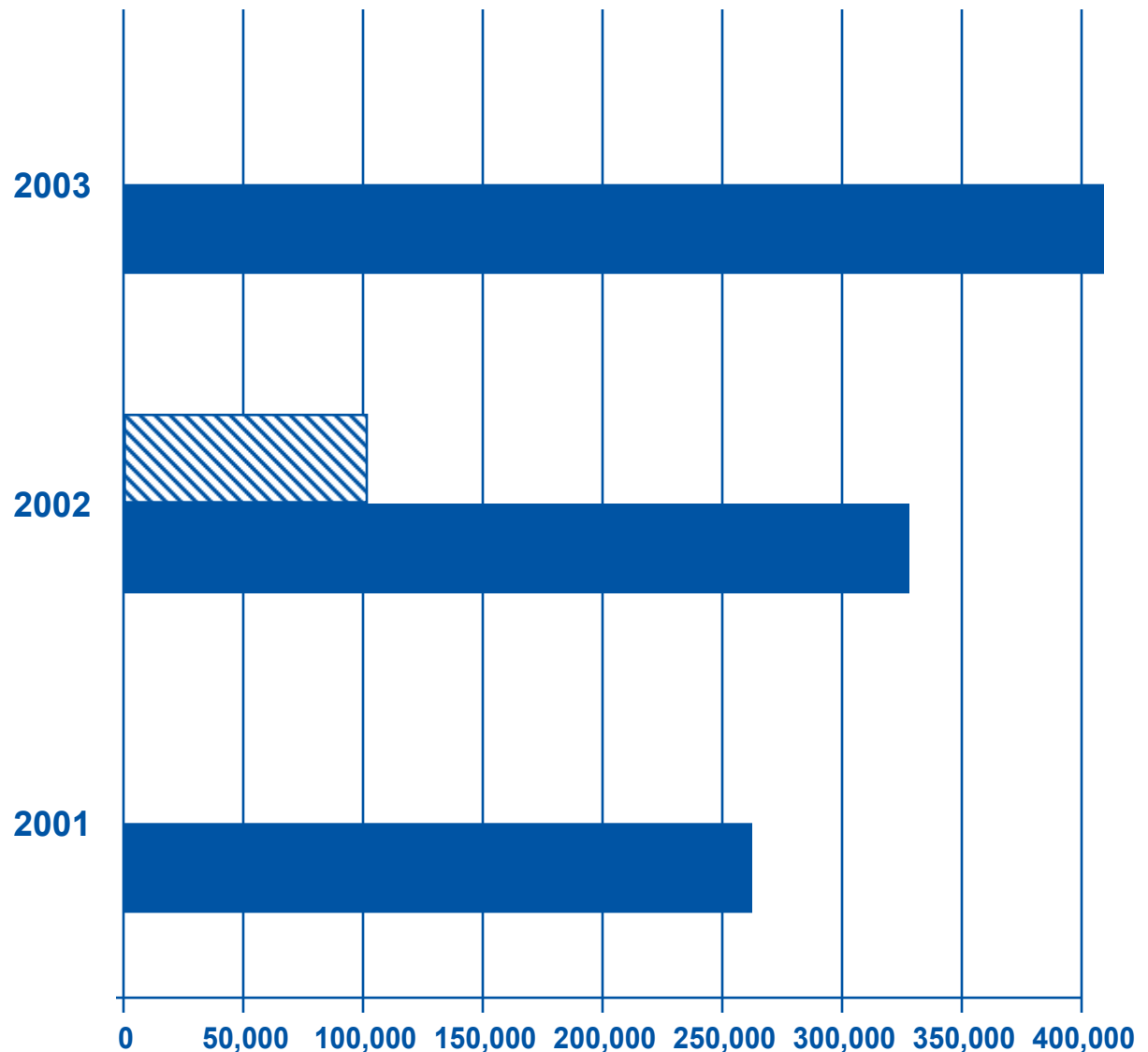


\*These categories were added in 2002.






## Amount of Fines Actually Received

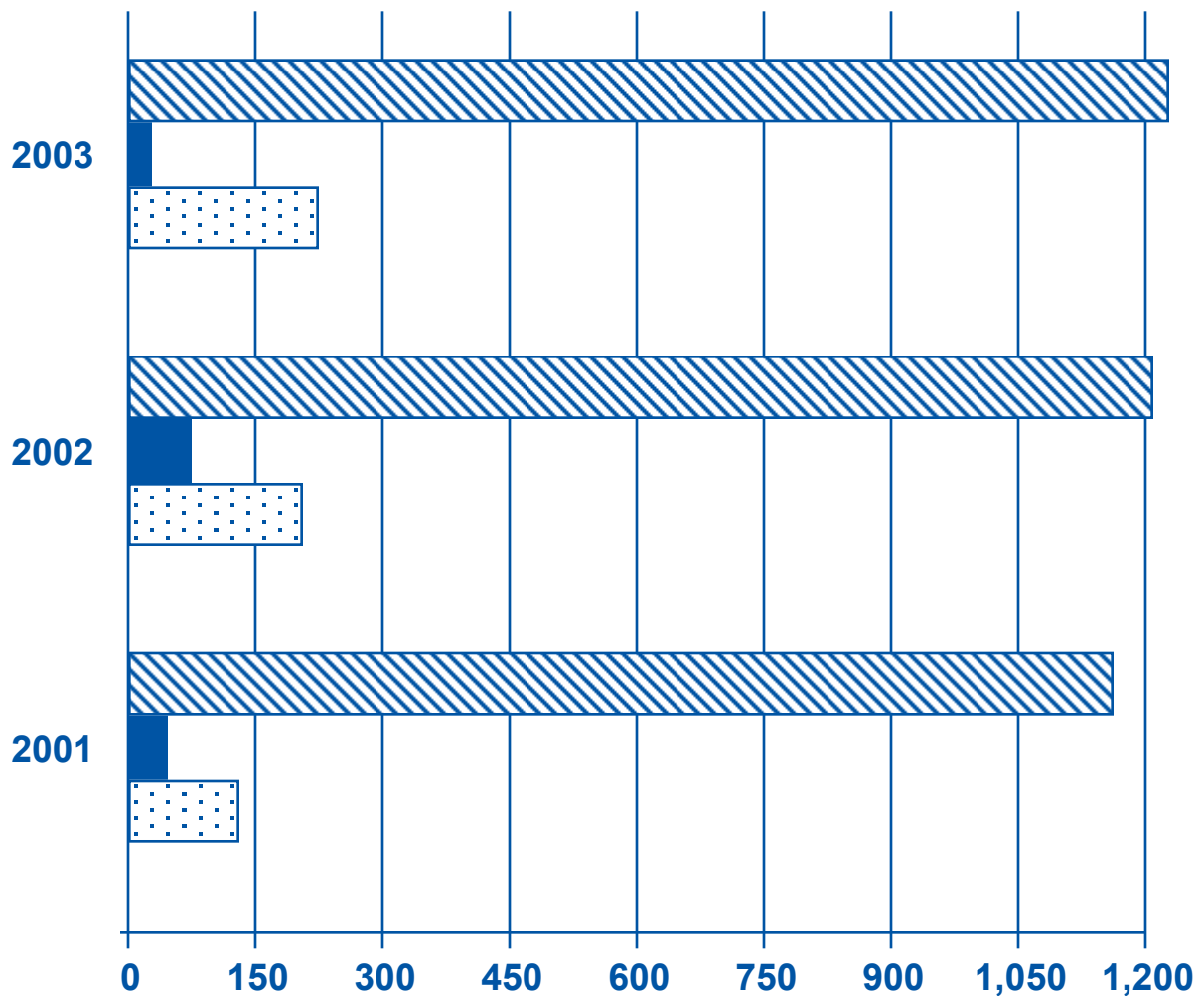
	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Fraud . . . . .	\$0.00	102,500.00	\$0.00
 Noncompliance . . .	\$418,521.10	330,129.07	263,821.56
<b>Totals . . . . .</b>	<b>\$418,521.10</b>	<b>\$432,629.07</b>	<b>\$263,821.56</b>



**NOTE:** The amount of fines received each year includes some fines imposed in previous years. Many fines are paid in monthly installments.

## Comparison of Allegations Received to Cases Referred to the Office of the Attorney General

	<u>2003</u>	<u>2002</u>	<u>2001</u>
 Cases Received .....	1,363	1,204	1,156
 Fraud Cases Referred.....	39	74	47
 Noncompliance Cases Referred	231	181	142



Year	% Referred (Total Fraud & Noncompliance)
2003	19.8%
2002	21.2%
2001	16.3%

## Action Taken by the Office of the Attorney General/ County Prosecutors during 2003

<u>Action/Status of Cases</u>	<u>AG</u>	<u>Cole</u>	<u>St. Louis County</u>	<u>TOTALS</u>
County Did Not Provide Status*	n/a	1	7	8
Declined to Prosecute	49	3	7	59
DPA/HHA	132	0	0	132
Other	1	0	0	1
Pending	133	5	31	169
Prosecuted Successful	41	0	3	44
Prosecuted Unsuccessful	6	0	0	6
<b>TOTALS</b>	<b>362</b>	<b>9</b>	<b>48</b>	<b>419</b>

\*"County Did Not Provide Status" means the case was closed by the Office of the Attorney General (AG) because the county did not provide any information to the AG on the status of the case.

<u>Dollars Imposed/Received in 2003</u>	<u>AG</u>	<u>Cole</u>	<u>St. Louis County</u>	<u>TOTALS</u>
Fines/Penalties Imposed (Fraud)	\$ 0.00	\$0.00	\$ 0.00	\$ 0.00
Fines/Penalties Received by the FNU (Fraud)	\$ 0.00	\$0.00	\$ 0.00	\$ 0.00
Fines/Penalties Imposed (Noncompliance)	\$ 620,312.70	\$0.00	\$ 0.00	\$620,312.70
Fines/Penalties Received by the FNU (Noncompliance)	\$ 416,521.10	\$0.00	\$ 2,000.00	\$418,521.10
Restitution to the Victim(s)	\$ 13,244.99	\$0.00	\$ 0.00	\$ 13,244.99

## Conclusion

Violations of workers' compensation laws affect every Missourian, either through increased insurance premiums, increased cost of consumer goods, or injured workers loss of benefits. If you are aware of fraudulent claims or know of companies who are not providing workers' compensation coverage for their employees, please call 1-800-592-6003.

If your company, association, civic group or labor organization would like more information on the Fraud and Noncompliance Unit, call us at 1-800-592-6003. We would be glad to schedule a presentation at your convenience.

Visit our web page: [www.dolir.mo.gov/wc/fraud](http://www.dolir.mo.gov/wc/fraud)

**Fraud and Noncompliance Unit**  
**(573) 526-6630      (800) 592-6003**